

Jun. 27. 2000 3:22PM

LOANING

NORTH LILY MINE

6/28/00  
Tishring  
setting an  
via telephone  
hearing  
N. Lily  
copy to Lowell  
Wayne H.

P. 002



NORTH LILY MINING COMPANY

Suite 210

1800 Glenarm Place

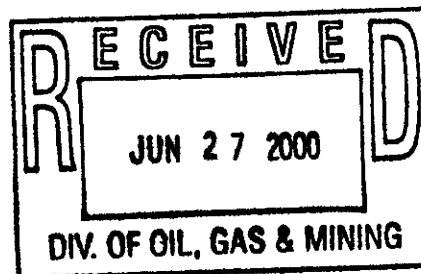
Denver, CO 80202

Tel: 505.294.0427

Fax: 505.295.2259

June 27, 2000

Lowell P. Braxton, Director  
Division of Oil, Gas & Mining  
1594 West North Temple, Suite 1210  
P.O. Box 145801  
Salt Lake City, UT 84114  
FAXED TO: 801-359-3940



m/023/007

RE: Silver City, Tintic Reclamation Surety Bond

Dear Mr. Braxton:

Reference is made to Wayne Hedberg's letter of June 23, 2000, which would escalate our reclamation surety bond requirement to year 2005 dollars. The 5-year escalation factor would increase the total bond requirement from \$180,059 by \$29,999 for a rounded total of \$210,000.

The current balance in the bond account is \$205,344.64, which reportedly includes about \$30,000 of interest (to which North Lily Mining is entitled).

We hereby object and respectfully request an informal telephone conference to consider application of a two year instead of a five-year escalation factor in this case. This seems appropriate since the escalation is being made during the last months of the project reclamation life. Such reduced escalation would reduce the bond requirement below the currently funded level. North Lily would immediately use the available over-funded amount for scheduled project reclamation work.

Such reduced escalation is further justified by the fact that more than 30% of the requisite earth-moving work will be done without cash payment by North Lily. This is because Bluerock Excavation (Bill Riley) of Eureka owes North Lily such amount for purchase of earth moving equipment, and will reduce actual charges for reclamation earth-moving by such amount.

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Attached is our related letter to the bank. North Lily hereby also requests that the Division kindly confirm to First Security Bank that this bond account is for the benefit of North Lily (as well as the State), that information should be released upon request to either of Messers. W. G. Webb or S. E. Flechner, and that quarterly/annual reports should be sent to the Company as well as to the State.

We greatly appreciate your Division's assistance in relation to this project and the bond.

Sincerely,



S.E. Flechner &  
President

W.G. Webb  
Executive Vice-President

cc Mary Ann Wright  
Associate Director-Mining

D. Wayne Heidberg  
Permit Supervisor

Jun. 27. 2000 3:12PM

LOANING

**NORTH LILY MINING COMPANY**

June 27, 2000

First Security Bank  
ATTN: Ann Norman  
Payson Office  
95 North Main  
Payson, UT 84651

Suite 210

1800 Glenarm Place

Denver, CO 80202

Tel: 303.294.0427

Fax: 303.293.2255

By FAX to: 801-465-4305

Reference is made to the bond for our Silver City, Utah reclamation project covered by the Certificate of Deposit in the attached Account Statement of 03/15/00 for account #~~0000000000~~.

This is to request technical release of the interest accrued so that we may use same to meet the required escalated level of the bond, and to utilize any excess amounts for immediate work on the reclamation project.

This is also to formally notify you that the signatories below are the executive officers of North Lily, and that North Lily is owner of the bond, entitled to quarterly and annual reports thereon at the above address, and ultimately entitled to return of the bond amount as reclamation is accomplished.

Sincerely yours,

S.E. Flechner &  
President

W.G. Webb  
Executive Vice President

cc Mr. Lowell P. Braxton  
Director  
Utah Division of Oil, Gas & Mining

JUN-26-2000 MON 03:31 PM OIL, GAS &amp; MINING

FAX NO. 801 359 3940

P. 05

PAYSON OFFICE

PO BOX 25237  
SALT LAKE CITY UT 84125

(800) 574-6400

**First  
Security  
Bank.**

CERTIFICATE OF DEPOSIT

**Account Statement**

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STATEMENT DATE  
03/15/00NORTH LILY MINING  
FOR UTAH STATE DEPT NATURAL RES  
1594 W NORTH TEMPLE #1210  
SALT LAKE CITY UT 84116-3154TAX IDENTIFICATION NUMBER  
~~XXXXXXXXXX~~

PAGE 1

ACCOUNT NUMBER: ~~XXXXXXXXXX~~

PREVIOUS BALANCE	NUMBER	DEPOSITS	AMOUNT	NUMBER	WITHDRAWALS	AMOUNT	CURRENT BALANCE
200,555.22	0		.00	0		.00	202,934.79
INTEREST		INTEREST PENALTY		BACKUP WITHHOLDING			
CURRENT	YTD	CURRENT	YTD	CURRENT	YTD		
2,381.57	2,381.57	.00	.00	.00	.00		
DESCRIPTION		AMOUNT	EFFECTIVE DATE	POST DATE	DAILY BALANCE		
INTEREST PAYMENT GENERATED		2,381.57+	03/15	03/15	202,934.79		
DAYS IN INTEREST PERIOD: 91		INTEREST RATE: 4.75000 ANNUAL PERCENTAGE YIELD EARNED: 4.84890 NEXT MATURITY: 03/15.					